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Tobacco Industry Profile 1988

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All data for calendar year 1987, unless otherwise stated

■ Consumption

Total U.S. consumption including overseas armed forces was:

- **575 billion cigarettes**
- **2.7 billion large cigars and cigarillos**
- **1,154 million little cigars**
- **23.1 million pounds of pipe and roll-your-own tobacco**
- **76.3 million pounds of chewing tobacco**
- **45.1 million pounds of snuff**

The output of cigarettes from U.S. factories was 689 billion, nearly a five percent increase over 1986. Of the total, 10.3 billion cigarettes were shipped to overseas forces, 800 million to Puerto Rico and other U.S. possessions and 100 billion to other countries.

Per-capita U.S. cigarette consumption, based on population 18 and over, was 3,201. Record high was 4,345, in 1963.

■ Expenditures

U.S. expenditures for tobacco products were estimated at $35.5 billion, a record high and an increase of more than $1.9 billion over 1986. More than $33.6 billion, or 95 percent of the money spent for tobacco products, was for cigarettes.

■ World Production

World production of tobacco was estimated at 6.5 million metric tons, up 7 percent from the 1986 revised estimate.

The leading leaf producing nations in 1987 were: China (2,094,700 metric tons), U.S. (558,074), India (447,730), Brazil (410,000), USSR (381,000), Indonesia (178,383), Turkey (175,000), Italy (149,400), Zimbabwe (138,526), Bulgaria (138,150), Greece (134,450), Burma (115,080), Japan (105,780), Poland (97,800).

■ U.S. Tobacco Production

Tobacco Growers

Tobacco was grown on an estimated 180,000 farms in 23 American states and in Puerto Rico. The federal government issued 495,203 allotments to grow tobacco in 1987. The allotment total is larger than the number of farms because some farms are given allotments for more than one type of tobacco.

The acreage harvested was 601,700, up 3 percent from 1986, with a record high yield of 2,038 pounds per acre. The total U.S. harvest was 1.2 billion pounds, a 5 percent increase from 1986.

The types of tobacco grown in 1987 include flue-cured, 690.5 million pounds; burley, 450.8 million; Southern Maryland, 26.2 million; fire-cured 26.2 million; dark air-cured, 8.2 million; and all cigar types, 24.5 million.

Tobacco growing requires about 250 man-hours of labor per acre harvested. By comparison, it takes about three man-hours to grow and harvest an acre of wheat. The more than one-half million farm families involved directly and indirectly in producing tobacco in the U.S. were aided by additional seasonal workers.

Tobacco Sales

Nearly all of the nation's tobacco was sold at auction in 163 designated markets. The small remainder was sold directly from farms or by farmers' cooperatives.

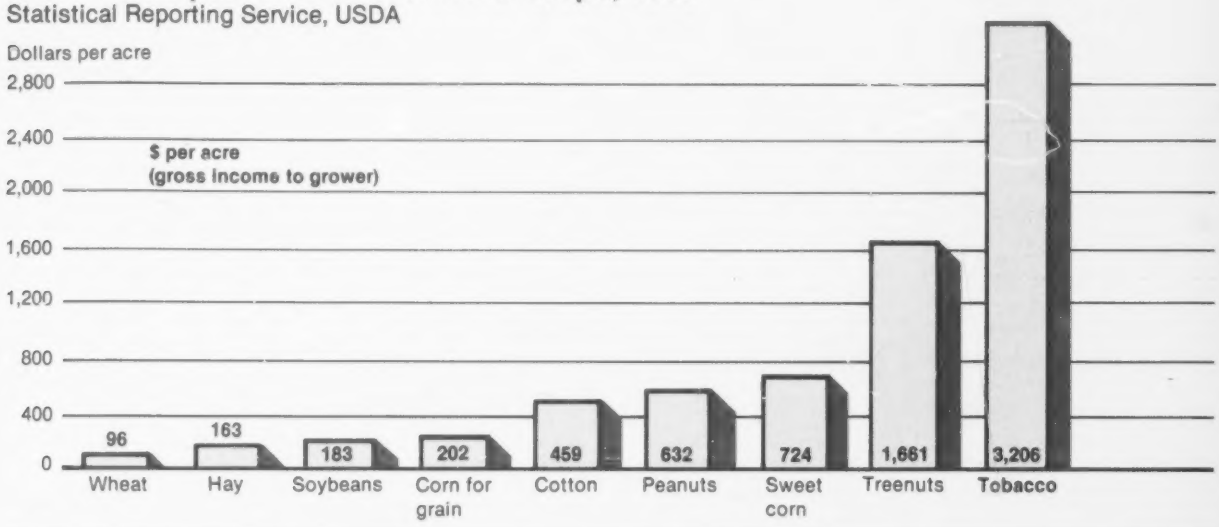
The average price of the 1987 crop was $1.57 per pound, a 5-cent increase from 1986.

Crop Income

Tobacco was the sixth largest cash crop, behind corn, soybeans, hay of all kinds, wheat and cotton. The tobacco crop was worth more than $1.9 billion, representing 3 percent of the total for

Farm Value per Acre for Selected Crops, 1988

Statistical Reporting Service, USDA



all cash crops and farm commodities. Estimates of these cash receipts from the 1987 tobacco crop were:

	(millions of dollars)		
North Carolina	738	Ohio	21
Kentucky	514	Indiana	19
South Carolina	151	Pennsylvania	18
Tennessee	147	Connecticut	17
Georgia	118	Massachusetts	7
Virginia	116	Wisconsin	7
Florida	23	Missouri	6
Maryland	22	West Virginia	4

Tobacco is also grown in Alabama, Arkansas, Illinois, Kansas, Louisiana, Minnesota, New Mexico and the Commonwealth of Puerto Rico.

■ Manufacturing

Factories

In FY 1987, 128 factories in 20 states had federal permits to manufacture tobacco products. The concentration was in the southeast and mid-Atlantic states.

In FY 1987, 223 warehouses in 31 states were authorized by the U.S. government to export tobacco. Federal permits to manufacture cigarette papers and tubes were issued to 10 establishments in 6 states.

Employment

An estimated 56,500 persons were employed in tobacco manufacturing during 1987 on a monthly average basis, representing hundreds of millions in payroll dollars. The 42,400 on the production lines in the average month earned $531.69 a week for a 38.4 hour week.

Of all the manufacturing employees, about 71 percent, or approximately 40,400 were employed by cigarette manufacturers. Almost three-fourths of the production workers, or 29,900 employees, were involved in cigarette-making. The rest worked in other aspects of tobacco manufacture, including stemming and redrying the leaf.

■ Distribution and Sales

Retail

An estimated 939,000 retail outlets distributed tobacco products. This included 618,728 individual vending machines, plus family-owned stores, and tobacco departments of large chain-operated stores. Related employment numbered in the millions.

Wholesale

About 2,500 wholesalers distributed tobacco products in 1987. In 1987, wholesale value of tobacco products was an estimated $26.6 billion. Cigarettes accounted for about $25.2 billion, cigars, chewing, pipe and roll-your-own tobacco and snuff approximately $1.4 billion. Other smokers' articles, such as pipes, accounted for hundreds of millions more dollars.

■ Supply Network

Related Industries

Dependence on a complex industrial and service network greatly extended the contributions of tobacco to the nation's economy. The need for farm and manufacturing materials, supplies and equipment as well as services ranging from transportation to

advertising provided employment for additional millions and added billions of dollars to personal and business income in all the states.

Exports and Imports

The U.S. was the leading exporter and importer of tobacco. In 1987, the value of U.S. exports of leaf and manufactured tobacco products was $3.4 billion, 19 percent above 1986. Imports were valued at approximately $710.8 million, an increase of 4 percent. The difference represented a positive contribution of $2.18 billion to the U.S. balance of payments in calendar year 1987, a slight increase from the previous year.

Leaf

Approximately 195,026 metric tons of unmanufactured leaf tobacco valued at $1.1 billion were exported. Leading markets for U.S. leaf were Japan, West Germany, the Netherlands, and Italy.

Imports of unmanufactured leaf totaled 223,944 metric tons—up 8 percent from 1986—and were valued at $627.3 million, a 4 percent increase from 1986.

About 18 percent of the leaf imported, or 99,089 metric tons, was oriental, for use in domestic cigarettes. Turkey continued to be the major supplier of oriental leaf, followed by Greece and Yugoslavia.

Products

The value of exported manufactured products in 1987 was $2.3 billion, 34 percent above 1986. The value of imported manufactured products, at $83.5 million, was up 10 percent.

Cigarettes

More than 100.2 billion cigarettes were exported in 1987 to 109 countries, up 36 percent in quantity from 1986. They were valued at $2.1 billion. The leading destinations were Japan, Belgium-Luxembourg, Hong Kong and Saudi Arabia.

About 1,480 metric tons of foreign cigarettes valued at $21.7 million were imported.

Other Products

Cigar, cheroot and little cigar exports included 195.1 million units, valued at $7.6 million.

About 1,243 metric tons of foreign cigars and cheroots were imported with a value of $46.3 million.

Exports of pipe and roll-your-own tobacco in bulk increased nearly 20 percent to 30,180 metric tons with a value of $2.2 billion, a 21 percent increase from 1986. Exports also included 650 metric tons of snuff and chewing tobacco worth $3.8 million —up 5 percent in quantity and 7 percent in value from 1986.

Imports of packaged smoking tobacco came to 1,564 metric tons valued at $15.7 million.

Shipping

Almost 92% of all leaf tobacco exported was shipped from the East. Major custom district ports were:

	Metric Tons	Value (millions)
Norfolk	111,892	604,349
Wilmington, NC	38,996	224,060
Charleston, SC	16,732	77,917
Los Angeles	10,275	68,876
Baltimore	4,341	19,916
Seattle	2,515	16,281
Savannah	2,503	14,426
Miami	2,251	16,232
New York	1,594	10,505
San Juan	1,076	24,620

Cigarettes accounted for over 88% of the value of manufactured tobacco products exported. Major ports shipping cigarettes overseas were:

	Units (billions)	Value (millions)
Norfolk	38.8	886.9
Miami	30.9	690.5
Los Angeles	19.3	297.8
Savannah	18.4	374.6
San Francisco	7.7	179.8
Charleston	5.8	124.9
Baltimore	4.3	102.7

■ Government Receipts from Taxes

Tobacco Taxes

About 32 percent of the receipts from domestic civilian retail sales of tobacco products went to federal, state and local treasuries in the form of excise and sales taxes. These totaled more than $11.2 billion in FY 1987 (ending June 30).

Federal, state and local governments collected more than $9.8 billion alone in excises on all tobacco products in FY 1987. Cigarette taxes represented 98 percent, or $9.6 billion.

Federal, state and local excises on other tobacco products totaled $1.6 billion.

Since 1863, when cigarettes were added to the tobacco products taxed by the federal government, governments at all levels have collected over $203.4 billion in tobacco taxes. Cigarettes have accounted for 95.8 percent of that, or $194.8 billion.

Federal

The federal government's share was $4.8 billion. Cigarette taxes accounted for almost 99 percent. About $63.5 million in taxes on other tobacco products were collected.

State

All states imposed excises on cigarettes; 29 also taxed cigars and smoking or chewing tobacco, snuff or a combination.

Total state tobacco taxes revenue in FY 1987 was $4.8 billion, nearly 98 percent of which came from cigarette excises. About $96.7 million was collected on other tobacco products. The states' cigarette excises ranged from 2 to 32 cents per pack.

Local

Tobacco taxes in 392 cities and counties yielded nearly $196.6 million in FY 1987. Of that amount, $196.3 million, or 99.9 percent, resulted from taxes on cigarettes. Fifty-two local governments also collected $296,889 from taxes on other tobacco products.

■ Government Tobacco Programs

Farm Quotas

USDA continued in 1987 to administer laws to stabilize tobacco production and assure the grower fair prices. Most tobacco farmers, through periodic referenda, favored marketing quotas. Because of the production controls, less tobacco was produced and prices were higher than would be likely without them.

Loans

With grower approval of marketing quotas for a tobacco type, price supports for it were mandatory. Under the program, the Commodity Credit Corporation (CCC) made loans to farmers through their cooperative associations, with the tobacco as collateral. The associations handled and sold the tobacco, repaying loans as the tobacco was sold. The realized cost of the tobacco program since its start in 1933 was about 0.1 percent of the cost for all 13 farm commodity price support programs. In FY 1987, loan repayments totaled $202 million, while new loans totaled $548 million, which is expected to be repaid with interest to CCC as the collateral tobacco is sold by the associations.

In 1982 Congress revised the price support program—requiring tobacco farmers to pay into a fund to offset any losses—to assure that its continued operation will be at no cost to the American taxpayer.

Grading

USDA's Agricultural Marketing Service (AMS) inspected and graded all tobacco before auction. Government grade standards were the basis for CCC loans. Beginning in FY 1982, tobacco farmers paid user fees for grading. In FY 1987, AMS collected $7.2 million from tobacco farmers. Daily market news reports informed growers of prices and market conditions. This service cost $634,000 in FY 1987.

■ Tobacco's Contribution to America's National Economy

In 1985, Chase Econometrics performed an analysis of the U.S. tobacco industry to determine its impact on America's economy during 1983.

Based on that analysis, since widely publicized, and on subsequent data from the U.S. Departments of Agriculture and Commerce, it is estimated that the tobacco core sectors in the U.S. economy generated $40.8 billion of the Gross National Product in 1987 and employed 728,000 persons to produce and deliver tobacco products and associated goods and services.

The tobacco industry's estimated spending-induced impact on America's GNP was $65.3 billion—far more than expenditures on tobacco products alone. This impact was generated by tobacco industry workers' expenditures on goods and services of other, non-tobacco, business sectors throughout the U.S.

The updated study shows, in 1987, tobacco industry activities in all 50 states resulted in these estimates:

	1987	
	Core and Supplier	Spending-Induced
• GNP	$40.8 billion	$65.28 billion
• Jobs	728,000	1,749,000
• Compensation	$18.4 billion	$34.8 billion
• Capital Investment	$1.6 billion	$21.9 billion
• Federal, state and local taxes	$20.3 billion	$18.2 billion

SOURCES: U.S. Department of Agriculture: Agricultural Marketing Service and Financial Management Division; Agricultural Stabilization and Conservation Service, *History of Budgetary Expenditures of the Commodity Credit Corporation Fiscal Year 1980-1987 actual;* Economic Research Service, *Tobacco Outlook and Situation*; Foreign Agricultural Service, *World Tobacco Situation;* Statistical Reporting Service, *Crop Production 1987 Summary, Crop Values 1987 Summary, Noncitrus Fruits and Nuts 1987 Mid-Year Supplement.*

U.S. Department of Commerce: Bureau of the Census, U.S. Exports *EA-622.*

U.S. Department of Labor: Bureau of Labor Statistics, *Supplement to Employment and Earnings.*

National Association of Tobacco Distributors, 1199 N. Fairfax Street, Alexandria, VA 22314.

U.S. Department of Treasury: Bureau of Alcohol, Tobacco and Firearms.

Chase Econometrics, 150 Monument Road, Bala Cynwyd, PA 19004.

The Tobacco Institute: *The Tax Burden on Tobacco, Vol. 22, 1987,* 1875 I Street NW, Washington, DC 20006.

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